



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: SEE BELOW

DATE: April 22, 2024

Approved

Date

5/2/24

SUBJECT: SAN JOSE CLEAN ENERGY NON-RESIDENTIAL CUSTOMER ENERGY SERVICES

RECOMMENDATION

Adopt a resolution amending San José Clean Energy service offerings to include the following service offerings for non-residential customers:

- a) Establish a SJCE Economic Development Rate set at 12% below Pacific Gas and Electric Company's bundled service generation charges, inclusive of the Power Charge Indifference Adjustment and Franchise Fee Surcharge, that will be offered to ratepayers approved to receive PG&E's Economic Development Rate; and,
- b) Establish a Green Transportation Program that offers 100% emissions-free power at a discounted rate of \$0.005 per kilowatt-hour to public transportation accounts serving guided rail traction power facilities.

SUMMARY AND OUTCOME

Approving this resolution will result in San José Clean Energy (SJCE) offering two new non-residential service offerings. An SJCE Economic Development Rate (EDR) would allow customers who obtain the EDR with Pacific Gas and Electric Company (PG&E) to stay with SJCE at the same cost and continue to enjoy cleaner electricity. The Green Transportation Program will offer 100% emissions-free electricity to public transportation customers at a discount, furthering Climate Smart San José goals to remove emissions from transportation and encourage the reduction of vehicle miles traveled. These offerings align with the City's commitment to sustainability and economic growth.

BACKGROUND

SJCE staff have studied the feasibility of special service offerings for non-residential customers for several years, but to date, it has not offered anything beyond standard rates for non-residential customers. Other community choice aggregators have built out such offerings to retain and attract non-residential customers to their services as well as further the sustainability goals of their communities and ratepayers. Such non-residential offerings have always been a part of SJCE's plan to meet its goals and mission.¹

EDR

PG&E, along with other investor-owned utilities, offers an EDR to non-residential customers who are considering relocating out-of-state, expanding locally, or in danger of going out of business. In San José, PG&E's EDR provides a discount of 12% on a participant's electricity costs for five years. Customers receiving this discounted rate commit to:

- Create or retain jobs in California;
- Supply documentation of out-of-state choices or other operational scenarios;
- Sign an affidavit stating the EDR is an influencing factor in its decision to locate within PG&E service territory; and,
- Confirm eligibility for the rate with the California Governor's Office of Business and Economic Development.

Historically, SJCE has not offered a matching discount on generation charges, which has resulted in the departure of some large non-residential customers after their applications for the PG&E EDR was approved.

Green Transportation Program

Electrifying transportation with zero-emission energy is a key component of Climate Smart San José and SJCE's programs roadmap.² Strategy 2.4 of the Climate Smart San José plan established the need to develop integrated, accessible public transport infrastructure.³ Strategy 2 of the Carbon Neutrality by 2030 Plan specifically emphasizes the need to reduce vehicle miles traveled by at least 20%.⁴ Supporting actions to reach that goal include expanding and improving existing transit services. Eligible customers for this offering will include any operator of electrified rail systems in San José, such as Santa Clara Valley Transportation Authority and Caltrain.

¹ <https://www.sanjoseca.gov/home/showpublisheddocument/66809/637405357579970000>. In the 2021 Power Mix and Rates memorandum, SJCE noted that it was evaluating the implementation of a direct renewables program, which sources energy generation "directly" from renewable resources for specific customers.

² <https://sanjose.legistar.com/View.ashx?M=F&ID=12710413&GUID=CCC10726-25BA-45F5-A4CF-9690785491EC>

³ <https://www.sanjoseca.gov/home/showpublisheddocument/32171/636705720690400000>

⁴ <https://www.sanjoseca.gov/home/showpublisheddocument/93082/638065452005070000>

ANALYSIS

EDR

A non-residential customer that is approved for the PG&E EDR receives a 12% discount on both delivery and generation charges if it is a full-service, “bundled” PG&E customer. Currently, that customer has the option to remain with SJCE, but by doing so foregoes PG&E’s 12% discount on generation charges. As a result, SJCE customers that obtain the EDR from PG&E have a strong incentive to opt out of SJCE service, as a 12% discount on generation charges provides a steeper discount than SJCE has offered for its GreenSource product, in comparison to PG&E’s bundled service. This poses an operational risk to SJCE, as it could lead to a sudden loss of load and revenue if an especially large customer were to opt out of SJCE service in order to obtain PG&E’s more competitive EDR. To match PG&E’s discounted cost of service and retain these customers, staff recommends that SJCE establish a rate that offers the customer the option to retain SJCE service and receive generation charges 12% below PG&E’s bundled service generation charges as long as the customer remains eligible for the EDR.

The process by which a customer obtains the PG&E EDR rate is multi-stage and requires the customer to provide a high standard of proof to PG&E and ultimately, the California Governor’s Office of Business and Economic Development.⁵ Typically, only one to two customers in SJCE territory successfully obtain the EDR annually. By offering a matching rate, SJCE is able to leverage this established verification process while growing its financial and sustainability goals without having to set up an independent process.

The cost gap between SJCE and PG&E varies from year to year, so the marginal increase in a customer’s savings through SJCE’s matching EDR is difficult to forecast over a five-year period. For example, industrial and commercial rates are currently ~8% below PG&E bundled generation charges, so a customer’s marginal discount on this EDR is relatively modest. However, just a year ago, the discount was 1% to 3%, which means the marginal discount offered by the EDR rate would have been more significant. Along these same lines, the impact to SJCE revenues will vary year to year depending on the gap between SJCE and PG&E rates. Based on current rates and the current roster of EDR customers in SJCE’s service territory, SJCE would see a \$25,000 annual revenue impact from the approval of this new rate.

Green Transportation Program

Staff recommends offering a Green Transportation Program to public transportation accounts serving traction power facilities, which delivers 100% emissions-free electricity at a reduced rate of half a cent per kilowatt-hour in order to further its decarbonization goals.

Offering a 100% emissions-free product to public transit traction power accounts will result in the immediate reduction of 9.4 million pounds of carbon dioxide equivalent emissions annually. Furthermore, 100% emissions-free energy allows those customers to obtain more Low Carbon

⁵ https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_EDR.pdf

Fuel Standard credits by claiming lower carbon intensity for their traction power.⁶ This will result in additional revenue for these agencies beyond the discount provided by their 100% emissions-free energy at GreenSource rates, effectively reducing operating costs.

Based on anticipated electricity usage by eligible customers, this product could reduce SJCE’s revenue by roughly \$410,000 annually at current costs if SJCE uses TotalGreen to meet this 100% emissions-free standard. The new electrical load from Caltrain’s launch of electric coach service will make it one of SJCE’s largest customers. Offering a discount to TotalGreen through this program would allow Caltrain to upgrade to TotalGreen, avoiding emissions of approximately 4,315 metric tons of carbon dioxide equivalent emissions or the equivalent emissions of 11 million miles driven by the average gasoline-powered vehicle annually compared to being on GreenSource.⁷ Taking advantage of this opportunity is consistent with the mission of SJCE to support the City’s transition to clean energy.

EVALUATION AND FOLLOW-UP

Staff will continuously monitor these non-residential customer offerings for effectiveness in achieving their goals. Staff will provide updates on these offerings to the City Council annually as part of SJCE rate setting and propose modifications based on analysis of participation rates and progress toward outcomes. Staff will also continue to investigate additional rates that support SJCE’s customer goals.

COST SUMMARY/IMPLICATIONS

The **table** below is a year over year analysis of the estimated revenue reduction of offering the proposed two new rates through Fiscal Year (FY) 2026-2027.

Estimated revenue reduction for recommended non-residential customer offerings through FY 2026-2027

Offering	FY 2024-2025	FY 2025-2026	FY 2026-2027
EDR	(\$25,000)	(\$25,000)	(\$25,000)
Green Transportation Product	(\$307,500)	(\$410,000)	(\$410,000)

⁶ The California Air Resources Board Low Carbon Fuel Standard program is a regulatory framework aimed at reducing greenhouse gas emissions from transportation fuels by incentivizing the adoption of low carbon alternatives. It assigns carbon intensity scores to different fuels, encouraging the use of cleaner options and promoting innovation in the transportation sector.

⁷ <https://sanjosecleanenergy.org/wp-content/uploads/2023/09/SJCE-2022-Power-Content-Label.pdf>

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COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the City Manager's Budget Office, and the Office of Economic Development and Cultural Affairs.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the May 14, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-005, Adjustment to Fees, Rates and Fares, resulting in no changes to the physical environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
LORI MITCHELL
Director, Energy

For questions, please contact Lina Williams, Deputy Director, Energy Department, at (408) 535-2933.